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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

**PRESENTATION BY
Mr. Stan Wisniewski, Director
Department of Beaches and Harbors
County of Los Angeles**

Topic: Operations of the Department of Beaches and Harbors

May 1, 2003

Chairman Philibosian introduced Mr. Stan Wisniewski and welcomed him to the Commission meeting. Mr. Wisniewski opened his presentation by mentioning his last meeting with the Commission in 1997, when the Marina del Rey Asset Management Strategy was under consideration.

Overview of Beaches and Harbors

Budget

Mr. Wisniewski started the presentation by presenting the Department's annual budget which included \$51M in expenditures, and \$45.3M in revenues. There is a debt service of \$21.8m which included the 1992-1993 bailout of the county's general fund of \$186M. Mr. Wisniewski stated that the principle on the debt will be paid back in approximately four years. The reason the money came out of the Marina del Rey budget was because the asset was collateralized during that time period.

Properties

Mr. Wisniewski gave the physical specifications of Marina del Rey. It covers 800 acres, all of which are County owned and bordered by Washington/Lincoln Boulevards. Although there is no private ownership in Marina del Rey, the County has approved a lease extension for the Marina City Club to facilitate the sale of 600 apartments on 60 year leases.

Redevelopment

Mr. Wisniewski continued his overview by giving a description of the redevelopment projects that are underway. Most of the redevelopment had been slowed by law suits and by the Coastal Commission. Redevelopment outside the Marina has "tainted" the County's redevelopment efforts. This development does not have to go through the coastal planning process. The Costco Center at the corner of Washington/Lincoln in Culver City causes about half as much traffic as will be incurred by the completed Marina del Rey

Development Project. Still the project is hampered by the traffic entitlement limits set by the Coastal Commission.

Mr. Wisniewski then spoke of the 6 completed and 19 other projects that are in different stages of development. Mr. Wisniewski estimated an increase revenue of \$17.4M - a 62% increase of annual revenue. Of the \$33.5M in Marina revenue, about \$28.5M is from leaseholds. The remainder would come from Beaches and Harbors' parking lots and other revenue sources.

Mr. Wisniewski then spoke of the renegotiation of leases in Marina del Rey which are designed to be consistent with the Asset Management Strategy (AMS) that the Board approved in 1997. To solicit development proposals, the county went through a number of Request for Proposals (RFP). Prior to the AMS being put into place, there were no development projects. He gave credit to the increase in project development to the RFP process as an implementing tool.

Present Problems

Mr. Wisniewski commented that his department deals with people that have access to everyone in the County, the Board of Supervisors, private consulting firms, et al. To respond to information needs, Mr. Wisniewski prepares a monthly report which tracks every project. It also tracks negotiations, regulatory processes and correspondences with the lessees. He felt that it was important to have all concerned support redevelopment by keeping them informed. As a result, this information is available at several locations.

Mr. Wisniewski moved on to a discussion of three projects that had been held up for over a year as a result of a series of lawsuits filed by the Coalition to Save the Marina (CSA). Using lawsuits, the CSA was able to "extort" developers, forcing them to pay \$50-75K per project. Beaches and Harbors has been working with tenants so that any settlement would go into public development, not to pay lawyer fees.

The Greening of Marina del Rey

Mr. Wisniewski then drew the Commission's attention to his Capital Project Summary, stating that Marina del Rey was going to significantly change within the next 2-5 years. This included changes to the Marina del Rey Freeway, expansion of MTA services, and development of a grand entrance to the Marina. The date of completion is currently set for 2006. Additional plans include widening of the Admiralty Way.

There are plans to develop park space to help "green-up" Marina del Rey. Mr. Wisniewski pointed out that parcel 51, which was previously occupied by a Union Oil station and is a major portal to Marina del Rey, will become a park. At the same time, parcel 150 will also be turned into park area. Another two parcels, which are situated at the other major point of entry to Marina del Rey, are also being redeveloped into small park areas. Parcel LLS is also in the midst of being turned into a park. The major portals to Marina del Rey will have major landscaping and plenty of green space.

Making Marina del Rey User Friendly

Mr. Wisniewski stated that Chace Park will be expanded and will become adjacent to a proposed entertainment center. Mr. Wisniewski reported a large turnout of 35 people showing up for the Proposers Conference. He also mentioned that a water shuttle was being brought in for the summer season. The two boat fleet will ferry people from one side of the marina to the other, opening the promenade to tourists. One of the boats will be a diesel that will run on soy oil, the other water taxi will run on solar power. Commissioner Petak brought up the issue of parking, to which Mr. Wisniewski responded that the public parking that now abuts the beach will be replaced by new parking structures. He went on to say that four hotel developers were interested in building on the waterfront. Two other parties wanted to develop the area for a "mixed use" project.

Working With the Inner City

Mr. Wisniewski commented on the development of an inner city water program for kids. The program gives

children ocean skills so they will be safe when they go to the beach. The program has grown at a rate of 20%+ a year and now services nearly 4,000 children, but still continues to operate out of a trailer. Beaches and Harbors received money from the State (Parks and Recreation) to build one of three proposed facilities for this program. Once the facilities are completed, the projected growth is to serve over 44,000 children. At present, the program is being underwritten by the department's marketing program.

Marketing Program

Mr. Wisniewski stated the value of the program to be \$28M. He said that through their marketing program they were able to get vehicles for the lifeguards. Marketing was also responsible for the Arrowhead sponsorship, a 13 year contract worth \$14M. This underwrote the Concert In The Park Series and a host of other activities. On the "beach side," the department received \$32.8M in grant funding. He pointed to a list in the handout which detailed \$97M in unfunded capital projects - a "wish list" for the beaches in Marina Del Rey. The Department has hired one and a half people working fulltime who have been very successful in getting grant money.

Commission Questions

Commissioner Padilla asked if the jurisdiction of the Coastal Commission differs when it comes to County owned and privately owned property and about the implementation of Proposition A Contracts. Mr. Wisniewski responded by saying that the Coastal Commission had a defined jurisdiction, and the Marina del Rey fell under that jurisdiction. All lessees and developers are subject to their constraints. On the east side of Lincoln Boulevard, outside the Commission's jurisdiction, there is considerable development. He went on to describe a LCP, (Local Coastal Plan) that had been approved by the Coastal Commission and was working in tandem with their AMS. The AMS identifies the kind of development the Coastal Commission wants; the LCP articulates the "intensity" of the development. Mr. Wisniewski commented that "gadflies" or even the Coastal Commission itself can slow the process of redevelopment. Mr. Wisniewski went on to say that in spite of everything, they had a very good working relationship with the Coastal Commission. He used the example of the development of park space to show that his department was doing the right thing and that the Coastal Commission recognized that they were being "responsible planners."

Mr. Wisniewski then moved on to discuss Proposition A issues. He said they have always been "big in Prop A." He stated that landscape maintenance had cost Beaches and Harbors \$1M a year, when contracted with the County Parks and Recreation Department. Their first Prop A contract was for \$150K a year. Mr. Wisniewski said that they still have an annual saving of between \$500-700K. Their parking contract had also been turned into a Prop A contract. Through a Quality and Productivity Commission Loan, they have received \$1M to automate their parking lots. He noted that the department was going to control every dollar that came in from marina and beach lots and that it was unnecessary to offer the parking contractor a substantial profit. Through Prop A, they were able to negotiate with the parking contractors to provide staffing of the lots. If contractors were able to keep over-achieving revenues, they would receive a "one percent of gross bonus." All net revenue from the parking lots is now going to the County. Although there were problems in terms of the "living wage" issue, the department had gone back to the parking contractors and made it work.

Mr. Wisniewski went on to say that there was some thing that Beaches and Harbors could do better than the private sector - ie. restroom maintenance. But in other areas (ie. staffing of parking lots) Beaches and Harbors could not compete with the private sector. Commissioner Lewis questioned Mr. Wisniewski about the marina, specifically slip operations. Mr. Wisniewski replied that the slips were operated by the lessees and that there were 5246 boat slips. He said that there was a "price review" in place to keep the slip spaces at market value. Marina tenants sometimes feel that price controls should be implemented, but as the Marina "landlord," it was his responsibility to increase revenues of Marina del Rey. The department receives 25% of slip income, so it was to the advantage of Beaches and Harbors when rates rise.

Commissioner Fuhrman then asked about the County's lease structure. Mr. Wisniewski responded by saying that in the Sixties, the lessees were given 60 year leases on the property. Leases are "fair market value leases." The leases are renegotiated back to "fair market rent" every ten years. Everything in Marina del Rey

is on "percentage of gross versus a minimum." The minimum rent is set at 75% of the last three years, paid annually. The percentage that Beaches and Harbors receives depends on the property: 10.5 % percent of apartment rents, 25% of slip rents. Mr. Wisniewski said they used the best appraisers they can find in the private sector to establish fair market value, and brought up the name of George Jones of Newport Beach. Mr. Wisniewski said the rent represented the "percentage of gross" and that when the property values go up, so do the gross receipts. He spoke of a thousand unit apartment building that was being built in the area. The value of that property will be many times greater than that of the previous units because of the rise of property value and the increase of units available due to redevelopment.

Commissioner Fuhrman asked about the kind of increased revenue had been seen over the last 2-3 years. Mr. Wisniewski responded by saying that because of the recession, the growth has been flat. And after 9/11, the hotel industry in Marina del Rey had collapsed. Boat slip revenues have gone up, but the apartment revenues have not gone up because of the competition from outside Marina del Rey. Post 9/11, Marina del Rey's hotel and restaurant industries have bounced back faster than other areas. Because of the disaster, the area lost three hotel proposals. Four other hotel proposals have been slow to "move on" in terms of development. The Hyatt and the Star Hotels are interested in building on Mother's Beach.

Commissioner Petak asked if he foresaw problems, in terms of the entertainment area, similar to those found at Hermosa Beach. He also asked who polices Marina del Rey. Mr. Wisniewski responded, saying that the Sheriff's Department polices Marina del Rey. He said that Marina del Rey will not turn into Hermosa Beach. The leases for the entertainment center will not permit the construction of bars. Mr. Wisniewski closed by saying Marina del Rey would eventually be a family entertainment/recreation destination.

Chairman Philibosian thanked Mr. Wisniewski for his illuminating presentation.

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